

and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

*A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

(1) Purpose

Exchange Rules 131 and 154 allow stop and stop limit orders<sup>3</sup> in selected derivative securities to be elected by a quotation,<sup>4</sup> provided the prior approval of a Floor Official is obtained.<sup>5</sup> Absent this provision, such orders could only be elected when a transaction in the security occurred at or through the stop price, notwithstanding the fact that the quoted market had moved through the stop price as a result of trading in the underlying security.

Under Exchange Rule 154, Commentary .04(c)(v), provisions regarding the election of stop and stop limit orders are only applicable to such derivative securities as are designated by the Exchange as eligible for this treatment. The Exchange has previously designated Standard & Poor's Depository Receipts® ("SPDRs®") as eligible for such treatment.<sup>6</sup>

The Exchange proposes to designate Portfolio Depository Receipts

<sup>3</sup> Stop sell orders generally are entered in a stock whose price has increased substantially to protect the investor's profits should the stock price decline. Similarly, stop buy order generally are entered by investors with short positions to limit losses should the stock price increase.

<sup>4</sup> A stop or stop limit order in a derivative security is elected, *i.e.*, becomes a market or limit order, respectively, when the quoted market for the derivative security reaches the appropriate stop or stop limit price. Once elected, the specialist treats the orders like any other market or limit order. The specialist must execute the market order at the next best market price, and must execute the limit order at the limit price or hold the order on his limit order book until the limit price is available.

<sup>5</sup> See Securities Exchange Act Release No. 29063 (April 10, 1991), 56 FR 15652 (April 17, 1991) (File No. SR-Amex-90-31), regarding election of stop and stop limit orders by quotation for certain derivative equity securities.

<sup>6</sup> See Securities Exchange Act Release No. 34877 (October 21, 1994), 59 FR 54015 (October 27, 1994) (File No. SR-Amex-94-41). "Standard & Poor's Depository Receipts®," "SPDRs®," and "MidCap SPDRs™" are trademarks of The McGraw-Hill Companies, Inc. PDR Services Corporation and the Exchange are permitted to use these trademarks pursuant to a License Agreement with Standard & Poor's ("S & P") a division of The McGraw-Hill Companies, Inc. The SPDR and MidCap SPDR Trusts, however are not sponsored by or affiliated with Standard & Poor's or The McGraw-Hill Companies, Inc., and S & P makes no representation regarding the advisability of investing in SPDRs or MidCap SPDRs.

("PDRs<sup>SM</sup>"),<sup>7</sup> pursuant to Exchange Rule 154, Commentary .04(c), as eligible for stop and stop limit orders to be elected by quotation. In addition to SPDRs, other PDRs currently approved for trading on the Exchange include MidCap SPDRs™ and DIAMONDS<sup>SM</sup>.<sup>8</sup> As derivative equity securities, PDRs can be expected to fluctuate in price based on changes in an underlying stock index or portfolio, and are therefore appropriately designated as eligible for election of stop and stop limit orders by quotation.

(2) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act<sup>9</sup> in general and furthers the objectives of Section 6(b)(5)<sup>10</sup> in particular in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest.

*B. Self-Regulatory Organization's Statement on Burden on Competition*

The proposed rule change will impose no inappropriate burden on competition.

*C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

No written comments were solicited or received with respect to the proposed rule change.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The foregoing rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of Exchange Rule 154, and, therefore, has become effective pursuant to Section 19(b)(3)(A)<sup>11</sup> of the Act and subparagraph (e)(1) of Rule 19b-4<sup>12</sup> thereunder. At any time within 60 days

<sup>7</sup> "PDR<sup>SM</sup>" is a service mark of PDR Services Corporation, a wholly-owned subsidiary of Amex.

<sup>8</sup> Amex's listing and trading of DIAMONDS<sup>SM</sup> was approved by the Commission in Securities Exchange Act Release No. 39525 (January 8, 1998), 63 FR 2438 (January 15, 1998) (File No. SR-Amex-97-29). "DIAMONDS<sup>SM</sup>" is a trademark and service mark of Dow Jones and Company, Inc. ("Dow Jones") and has been licensed for use for certain purposes by the Exchange and PDR Services Corp., the Trust Sponsor. DIAMONDS are not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of investing in such product.

<sup>9</sup> 15 U.S.C. 78f(b)

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(e)(1).

of the filing of such proposed rule change, the Commission may summarily abrogate such proposed rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR-Amex-98-04 and should be submitted by March 2, 1998.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Margaret H. McFarland,**  
*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-39611; File No. SR-NSCC-97-15]

**Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to Odd-lot Activity Reports**

February 2, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on

<sup>13</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

December 22, 1997, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which items have been prepared primarily by NSCC. The Commission is publishing this notice and order to solicit comments from interested persons on the proposed rule change and to grant accelerated approval of the proposed rule change.

### **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The proposed rule change will amend NSCC's procedures to eliminate the distribution of odd-lot activity reports.

### **II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, NSCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

#### *(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

NSCC currently produces odd-lot activity reports for distribution by the New York Stock Exchange ("NYSE"). The reports identify odd-lot trades executed on the NYSE each trading day and are provided to joint members of NSCC and NYSE in both print and machine readable output formats on the night of trade date.

The purpose of the proposed rule change is to amend NSCC's rules to eliminate the distribution of the reports. NYSE requested the elimination because the odd-lot activity information is available in other reports currently distributed to members. NSCC will coordinate with the NYSE the process of discontinuing distribution.

NSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>3</sup> and the rules and regulations thereunder because it fosters cooperation and coordination with other

entities engaged in the clearance and settlement of securities transactions.

#### *(B) Self-Regulatory Organization's Statement on Burden on Competition*

NSCC does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

#### *(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

No comments on the proposed rule change were solicited or received.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.<sup>4</sup> The Commission believes that the proposal is consistent with NSCC's obligations because it coordinates the dissemination of information by NSCC and NYSE.

NSCC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice in the **Federal Register** in order to allow NSCC to eliminate production of reports on the same day that the NYSE is scheduled to cease distribution of reports. Because accelerated approval will allow NSCC and NYSE to implement administrative efficiencies in an expedient and coordinated fashion, the Commission finds good cause for granting accelerated approval.

### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the

public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of NSCC. All submissions should refer to File No. SR-NSCC-97-15 and should be submitted by March 2, 1998.

### **Conclusion**

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-NSCC-97-15) be and hereby is approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-39606; File No. SR-PHLX-97-42]

### **Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to a Floor Broker's Responsibility to be Loud and Audible and Positioned to be Heard by a Majority of the Trading Crowd**

February 2, 1998.

#### **I. Introduction**

On August 27, 1997, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>1</sup> a proposed rule change to amend Floor Procedure Advice C-7 to specify a Floor Broker's responsibility to be loud and audible and positioned to be heard by a majority of the trading crowd.

The proposed rule change was published for comment in Securities Exchange Act Release No. 39404 (December 4, 1997), 62 FR 65467 (December 12, 1997). No comments were received on the proposal.

#### **II. Description of the Proposal**

The Exchange, pursuant to Rule 19b-4 of the Act,<sup>1</sup> proposes to amend Floor

<sup>2</sup> The Commission has modified the text of the summaries prepared by NSCC.

<sup>3</sup> 15 U.S.C. 78q-1.

<sup>4</sup> 15 U.S.C. 78q-(b)(3)(F).

<sup>5</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 17 CFR 240.19b-4.